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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 001682

SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR GOLDBERGER/SACHAR; PRM
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PASS TO USAID FOR KUNDER/MCCLOUD/BORODIN

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TAGS: [EAID](#) [EAGR](#) [PA](#) [IS](#) [PHUM](#) [KWBG](#)
SUBJECT: OVERVIEW OF HAMAS FINANCES IN GAZA

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d)

11. (C) Summary: Gaza businessmen told Econoffs that the Gaza economy produces around USD 500,000/month in value added taxes, import duties and utility payments for the Hamas government. This is a small fraction of the Hamas-controlled government's budget in Gaza, which has consistently been large enough to pay an estimated USD 24-30 million/month in salaries. PA salaries in Gaza amount to USD 60 million/month. A businessman in Gaza said most of the 80-100 tunnels at the Egypt-Gaza border can be rented for around USD 60,000/day. Gaza traders said bartering has become commonplace since the Hamas takeover in June 2007. End summary.

Open domestic revenue a fraction of
Hamas' monthly revenue stream in Gaza

12. (C/NF) Four leading Gaza agriculture traders told Econoff in August that the Hamas-controlled government collects an estimated NIS 350,000 (USD 100,000)/month in import duties and VAT on agriculture imported through the crossings. It reportedly collects NIS 42-62 (USD 12-18)/ton import duties on agriculture products - similar to the PA customs regime. However, the Hamas-controlled government requires the payment (1) in cash and (2) prior to pick-up at the crossings.

13. (C/NF) Gaza businessman Mahmoud Khozander (please protect) met with Econoffs in Jerusalem in August and said that the Hamas-controlled government collects around USD 500,000/monthly from all value added taxes (VAT), import duties and utility payments in Gaza. Khozander underscored that the Hamas-controlled government's openly collected revenue constitutes less than five percent of its total revenue in Gaza, most of which it receives via smuggling operations and foreign donations.

Hamas est. payroll in Gaza: USD 24-30 m/month
PA payroll in Gaza: USD 60 m/month

14. (C) UN contacts in Gaza said on August 28 that Hamas pays the salaries of 18,000-23,000 civil employees of the Hamas-controlled government in Gaza. Poloff contacts estimated that there are 12,000-15,000 security service personnel on the payroll in Gaza. Drawing from the estimated average PA salary of USD 800/month, the payroll funded by Hamas in Gaza can be estimated to be USD 24-30 million/month.

Our contacts said that the organization pays salaries promptly at the end of each month in post offices - in Israeli shekels, US dollars and/or Jordanian dinars.

15. (SBU) The PA paid salaries on September 4 to around 75,000 employees in Gaza -totaling around USD 60 million,

according to our PA contacts. However, insufficient cash reserves in Gaza banks limits what most PA salary recipients can withdrawal. (Note: West Bank branches have excess liquidity, but the GOI has not yet responded to a Sept. 1 request from the Palestinian Banks to transfer NIS 120 million from the West Bank to Gaza. End note.)

Smuggling trade flourishing;
Foreign funds seem flush

¶6. (C/NF) Khozander said that rental charges for some of the 80-100 tunnels along the Egypt-Gaza border has been USD 60,000/daily in recent months, and that most anything is permitted to enter. Alternatively, Gazans can pay USD six/kilogram to smuggle goods via the tunnels - but delivery may take weeks. He said that the Hamas-controlled government does not have a blanket customs policy at the tunnels, but that individuals connected with Hamas receive compensation for tunnel usage.

Businessmen hoarding shekels;
Bartering on the rise

¶7. (C/NF) Khozander said that Gaza business people have been holding NIS 1-2 million (USD 300,000-600,000) in their safes in recent months, as checks are no longer accepted for payment of goods. The traders said that many shekel bills in Gaza are too worn to be used and that bartering has become common practice, allowing Gazans to avoid cash.

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Hamas "ministers" also desperate for fuel

¶8. (C/NF) Khozander owns several Gaza gas stations and said that, on average, current fuel imports to Gaza meet 20 percent of demand. He said a cylinder of cooking gas sells for USD 16 (NIS 58) and requires a one month wait to fill due to high demand. Khozander underscored the short supply of cooking gas, saying that several Hamas government "ministers" call him frequently to plead for personal shipments of cooking gas.

WALLES